

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EB-11 CIAE-00 DODE-00 PM-07 H-03 INR-10

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DEPT PASS AMBASSADOR VOLPE

E.O. 11652: GDS

TAGS: PINT, IT

SUBJECT: FANFANI COLLEAGUES VIEW ITALIAN SITUATION DARKLY

1. BEGIN SUMMARY: AT A JUNE 4 LUNCH, RAI DIRECTOR BERNABEI AND DC SENATE GROUP LEADER BARTOLOMEI (BOTH FANFANI CONFIDANTS) OFFERED US A BLACK PICTURE OF THE ITALIAN POLITICAL AND ECONOMIC SITUATION. THEY FORESAW THE POSSIBILITY OF A DANGEROUS GOVERNMENT CRISIS IN THE EVENT THE LABOR UNIONS AND THE SOCIALISTS DO NOT ACCEPT DC-BACKED AUSTERITY MEASURES. THEY ALSO TOOK SERIOUSLY THE POSSIBILITY THAT SOME LEADING INDUSTRIALISTS AND LAY PARTY POLITICAL LEADERS (PARTICULARLY IN THE PSI) ARE NOW READY TO SUPPORT PCI ENTRY INTO THE GOVERNMENT IF THE ECONOMIC SITUATION CONTINUES TO DETERIORATE. WHILE THEIR REMARKS MUST BE PUT IN THE PERSPECTIVE OF THEIR DESIRE TO SO GD US OUT ON THE POSSIBILITIES FOR US POLITICAL AND, POSSIBLY, ECONOMIC ASSISTANCE FOR ITALY (SEPTTEL), THEY ARE INDICATIVE OF THE CONCERN FELT BY MANY DC AND OTHER DEMOCRATIC POLITICAL LEADERS ABOUT THE STATE OF THE ITALIAN ECONOMY AND STEPPED-UP COMMUNIST EFFORTS TO INCREASE PCI INFLUENCE IN THE GOVERNMENTAL DECISION-MAKING PROCESS. END SUMMARY.

2. AT A LUNCHEON JUNE 4, RAI RADIO-TV DIRECTOR DIRECTOR BERNABEI
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AND CHRISTIAN DEMOCRAT SENATE GROUP PRESIDENT BARTOLOMEI, BOTH

CLOSE CONFIDANTS OF DC PARTY SECRETARY FANFANI, PRESENTED US WITH A DARK PICTURE OF THE ITALIAN POLITICAL AND ECONOMIC SITUATION. BARTOLOMEI INDICATED THAT THE JUNE 3 DC DIRECTORATE HAD TAKEN DIFFICULT DECISIONS IN THE ECONOMIC FIELD IN FAVOR OF A VIGOROUS FIGHT AGAINST INFLATION AND THE ITALIAN BALANCE OF PAYMENTS DEFICIT AND HAD BEEN ABLE TO REACH A UNANIMOUS VOTE OF THE DOCUMENT DESPITE STRONG RESERVATIONS BY THE DC LEFT. BARTOLOMEI SAID HE IS AFRAID THAT THE LABOR UNIONS, SPURRED ON BY THE METAL WORKERS, MAY REACT NEGATIVELY TO THE DC POSITION AND THAT THE SOCIALIST PARTY IS LIKELY TO DO LIKEWISE AT ITS FORTHCOMING CENTRAL COMMITTEE MEETING BEGINNING ON JUNE 5. BARTOLOMEI FARED THAT AN "IRRESPONSIBLE" PSI POSITION COMBINED WITH PRESSURE FROM THE LARGELY COMMUNIST-CONTROLLED UNIONS COULD LEAD TO A DANGEROUS GOVERNMENT CRISIS AND THAT THERE ARE FORCES WHO WOULD SEE COLLABORATION WITH THE COMMUNISTS AS THE ONLY WAY OUT.

3. BARTOLOMEI AND BERNABEI BOTH PAINTED A BLACK PICTURE OF SOVIET AND ITALIAN COMMUNIST PARTY ATTEMPTS TO BRING ITALY TO A POINT OF CRISIS WHICH WOULD PERMIT THE PCI TO ENTER THE GOVERNMENT. BERNABEI DESCRIBED ITALY AS A CLAY POT AMONG IRON VESSELS WITHIN THE EC AND SAID THAT THE COMMUNISTS ARE MAKING A MAXIMUM EFFORT TO KEEP ITALY FROM EFFECTIVELY COMPLYING WITH EC REQUIREMENTS. IN ADDITION HE SAID THAT RECENT INSTANCES OF TERRORISM IN ITALY PLAY DIRECTLY INTO THE HANDS OF THE COMMUNISTS. THE COMBINED PRESSURES OF THE REFERENDUM DEFEAT, TERRORIST ACTIVITY ATTRIBUTED TO THE NEO-FASCISTS, AND PRESSURE FROM THE LABOR UNIONS ARE ALL WORKING TOGETHER TO MAKE SOME ECONOMIC LEADERS (E.G., AGNELLI AND OTHER NORTHERN INDUSTRIALISTS) AND A FEW (UNSPECIFIED) REPUBLICAN AND LIBERAL PARTY LEADERS AS WELL AS MANY WITHIN THE PSI CONCLUDE THAT A SIX-PARTY GOVERNMENT OF "NATIONAL SALVATION" IS THE ONLY WAY OUT. HOWEVER, BOTH FANFANI COLLABORATORS HESITATED TO NAME PROMINENT CHRISTIAN DEMOCRATS WHO MIGHT FAVOR SUCH A SOLUTION. THEY EVEN NOTED THAT DC LEFT LEADERS LIKE DONAT-CATTIN REALIZE THAT IN A GOVERNMENT WITH THE COMMUNISTS THE DC WOULD RISK DESTRUCTION.

4. ON THE COMING ELECTIONS IN SARDINIA, BARTOLOMEI SAID THAT THE DC IS LIKELY TO DO BADLY AND THAT THE SOCIALISTS ARE EXPECTED TO GAIN. UNLIKE OTHER DC LEADERS EMBASSY OFFICERS HAVE TALKED WITH, HE DOWNPLAYED THE SIGNIFICANCE OF THE ELECTIONS, SAYING THAT THEY HAVE BEEN LARGELY DISCOUNTED ALREADY IN POLITICAL CALCULATIONS. CONFIDENTIAL

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HOWEVER, HE ADMITTED THAT A SIGNIFICANT DC DEFEAT WOULD FURTHER WEAKEN THE PARTY.

5. COMMENT: THE REMARKS OF BARTOLOMEI AND BERNABEI MUST BE SEEN IN THE PERSPECTIVE OF THEIR DESIRE TO ELICIT US POLITICAL AND POSSIBLY FINANCIAL SUPPORT FOR ITALY (SEPTTEL). ALSO, SINCE THEY ARE VERY CLOSE TO FANFANI, WE TAKE THEIR REMARKS AS A REFLECTION OF FANFANI'S OWN VIEWS. THIS CONSIDERATION MAY HAVE DARKENED THE

TONS OF THEIR GLOOMY FORECASTS. FOR EXAMPLE, THERE IS LITTLE
EVIDENCE THAT MAJOR FIGURES IN THE PLI OR PRI WOULD FAVOR A SIX-PARTY
COALITION INCLUDING THE PCI. HOWEVER, IT IS UNDENIABLE THAT MANY
POLITICAL LEADERS, PARTICULARLY WITHIN THE DC, ARE RIGHTLY CONCERNED
BY THE SERIOUS ECONOMIC SITUATION AFV PROSPECTS THAT THE LABOR
UNIONS AND SOCIALISTS PARTY MAY NOT BE WILLING TO ACCEPT AUSTERITY
MEASURES WHICH THE DC CONSIDERS ESSENTIAL TO KEEPING THE ITALIAN
ECONOMY AFLOAT. IN ADDITION, THESE LEADERS ARE WORRIED BY INCREASED,
OPEN PCI PRESSURE FOR A SYSTEMATIC INPUT INTO THE FORMULATION OF
MAJOR GOVERNMENT POLICIES, A TYPE OF INPUT WHICH SOME FEAR THEY
ARE BEGINNING TO GET
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